



Operating Budget Report

2019/2020

2019/2020 BUDGET REPORT

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FOREWORD

This report is intended to provide a comprehensive review and summary of the process, consultations, and results of the Trent University 2019/2020 Operating Budget.

Trent's administration has attempted to pursue a budget development process that enhances the degree of transparency, communication and input of all constituencies of the University community. This report attempts to capture the key elements and content of the development process, including consultation outcomes and specific impacts of budget decisions on the various academic and non-academic units of the University.

It is our intention to produce a summary report annually, and circulate it widely, in order that the budget and underlying program activity of the University can be better understood and assessed.

Your comments and feedback are welcome.

Steven Pillar, Vice President, Finance and Administration
Jacqueline Muldoon, Provost and Vice President, Academic
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EXECUTIVE SUMMARY

The budget planning process for fiscal 2019/2020 began in October 2018 with discussions with various groups in the University community regarding the current fiscal environment, the budget process, and timelines.

Trent's student population grew to 9,650 full time equivalents (FTEs) in 2018/2019, an increase of 4.3% over the budget, a 7.7% increase from 2017/2018, and 15.5% growth from the 2016/2017 Ministry-funded corridor mid-point. At the time of Board approval of the 2019/2020 Operating Plan, the University was anticipating an operating surplus of \$4.7 million as a result of increased enrolment-based revenue. While the enrolment growth resulted in increased tuition revenue net of student financial aid and scholarships, the enrolment growth since 2016/2017 has not yet been funded for 2018/2019. Therefore, the University experienced an operating deficit of \$1.5 million (before pension actuarial and fair value adjustments) for the fiscal year.

In January 2019, the Ministry announced a mandatory reduction of 10% to eligible tuition rates from 2018/2019 levels effective for the 2019/2020 academic year. Trent estimated the impact of this announcement to be a loss of \$8.2 million for 2019/2020. In April 2019, the Ministry revealed plans to tie future funding to labour market outcomes with 25% of funding tied to performance outcomes in 2020/2021 growing to 60% of funding in 2024/2025. In the interim, it does not appear there will be major changes to the funding model for 2019/2020. However, funding for the anticipated further enrolment growth of 3.3% to 9,970 FTEs in 2019/2020 (19.3% increase from the 2016/2017 corridor mid-point) remains unconfirmed.

Due to the fiscal uncertainty, budget owners were requested to identify strategies required to mitigate a 5% reduction in departmental budgets. Ancillary services were also expected to make proposals to increase their contributions to the operating budget by 5%. New strategic investment proposals needed to address student enrolment growth or in response to legislative compliance requirements or being put forward as efficiency measures were also to be identified.

All presentations and proposals were carefully reviewed by the President and Vice-Presidents. For budget reduction proposals, they gave careful consideration to strategies that minimized the impact to students and to staff, and did not compromise quality of programs and services. For strategic investments, particular attention was given to current needs that addressed student enrolment growth and longer-term impact on the allocation of resources as well as alignment with the University's strategic plans. The

RCM model was also used as a guiding principle for decision making when prioritizing and recommending strategic investments.

The preliminary 2019/2020 Operating Budget before budget reduction strategies or strategic investments projected a shortfall of \$4.3 million. The anticipated shortfall despite estimated enrolment growth funding was primarily due to the loss of tuition fees revenue related to the Ministry-mandated tuition fee reduction.

The approved budget reductions strategies of \$5.450 million focussed on assessing limited-term appointments and course offerings, reducing vacant positions, reviewing non-instructional staffing complements, finding efficiencies in non-staffing budgets, and increasing revenue and/or cost recoveries.

After factoring in the above budget reduction strategies, the University is anticipating a small surplus (assuming enrolment growth funding for 2019/2020 is confirmed), providing the University with an opportunity to make new strategic investments in response to increasing student enrolment. The approved net new strategic investments of \$735,000 focus on increases in resources required to teach and support increased student enrolment and the development of new academic programs.

As a result of the approved budget reduction strategies and the net new strategic investments, the 2019/2020 Operating Budget projects a modest annual surplus of \$435,000. **This projection assumes growth in student enrolment will be funded.** This operating plan was approved by the Board of Governors on May 10, 2019.

Further details of the 2019/2020 budget process, major assumptions, budget reduction strategies, new strategic investments and projected surplus are provided in this report.

FISCAL ENVIRONMENT, BUDGET DEVELOPMENT PROCESS, AND TIMELINES

The budget planning process for fiscal 2019/2020 began in October 2018 with discussions with various groups in the University community regarding the current fiscal environment, the budget process, and timelines.

Fiscal Environment

The Fall Economic Statement released November 15, 2018 focused largely on the government's commitment to balancing the provincial budget and reducing Ontario's debt burden, while also highlighting the importance of trust, transparency, accountability and affordability. The government continues to review all programs and ministries to ensure "relevance and best value for taxpayers". Efficiencies and reductions in expenditures are expected across all sectors. "Everyone in Ontario will be required to make sacrifices, without exception."

In December 2018 when departmental budget planning commenced, the Ministry had not provided any details on potential changes for the university sector. Universities were anticipating double-digit cuts to funding, but the amount and form of potential reductions was not known at that time. This uncertainty made planning for the future very difficult in three significant areas: enrolment and other ministry funding; revenue from tuition fees; and impacts on universities' expenditures resulting from change to the Ontario Student Assistance Program (OSAP).

On January 17, 2019, the Ministry announced a mandatory reduction of 10% to eligible (primarily domestic) undergraduate and graduate tuition rates from 2018/2019 levels effective for the 2019/2020 academic year and furthermore froze tuition rates at 2019/2020 levels for 2020/2021. Trent estimated the impact of this announcement to be a loss of \$8.2 million for 2019/2020.

Also announced at this time, were changes to the OSAP and the Student Choice Initiative, which gives students the choice to opt out of ancillary fees that do not meet the Ministry's definition of mandatory. The impacts to the University, directly or indirectly, of OSAP changes and the Student Choice Initiative are still being determined.

The 2019 Provincial Budget, announced April 11, 2019, reiterated the government's stated priorities to restore fiscal balance by 2023/2024. Their vision for postsecondary education is to ensure that people have the "skills they need to get a good job." Funding for the postsecondary education sector is projected to decrease an average of 1.0% per year from 2018/2019 to 2021/2022. Much of the decrease for 2019/2020 appears to be due to changes to OSAP previously communicated.

At this time, it does not appear there will be major changes to the funding model for fiscal 2019/2020. The Core Operating Grant, which funds eligible enrolment, continues to be based on the 2016/2017 corridor mid-point. Of note, funding for enrolment growth has not been confirmed for 2018/2019 or 2019/2020, which has a significant impact for Trent as enrolment continues to increase well beyond that of the 2016/2017 base year. Differentiation funding for this budget year is expected to continue at current levels. The expectation is this funding will not be linked to performance outcomes until the following year. Many special purpose grants, which are aligned with government priorities, remain unconfirmed at this time with one notable exception. The Province will no longer support the Graduate Enrolment Capital Expansion Program funding commencing with the 2019/2020 fiscal year.

The Provincial Budget did outline changes for future years. Commencing with Strategic Mandate Agreements for 2020 to 2025 (SMA3), the government will tie funding to labour market outcomes with 25% of funding tied to performance outcomes in 2020/2021 growing to 60% of funding in 2024/2025. Performance-based funding will be based on ten metrics, six of which will be aligned with priorities in skills and job outcomes and four metrics related to economic and community impacts. Universities will have the flexibility to weigh the metrics that best reflect their differentiated strategic goals and will be measured against their own targets based on historical performance. In addition, two metrics related to faculty workload and faculty compensation will be reported to strengthen transparency and accountability; these two metrics will not be tied to outcomes-based funding. The University anticipates engaging in discussions with the Ministry on potential adjustments to the enrolment corridor in Fall 2019.

Budget Process

For the 2019/2020 budget cycle, Trent University continued to phase in its new approach to budget planning, Responsibility Centered Management (RCM). RCM is an activity-based model intended to promote stronger linkages to academic goals and priorities. The aim of RCM is to improve financial sustainability by emphasising the University's strengths in teaching, research and services, and by supporting selected opportunities and innovations. While RCM does not in and of itself increase net revenue for the

University, it does promote innovative and efficient delivery of academic programming and enrolment planning by allowing increased revenue and cost savings to remain in the decanal unit that generates the positive change. RCM will be implemented gradually over the next few years in a way that is sensitive to Trent's fiscal realities and the complexities that arise as the University attempts to achieve a sustainable budget in the long term. Administrative and support functions will be assessed against available University benchmarks and adjusted accordingly. An important feature will be the availability of some incentive funding to help in the development of new programs and revenue opportunities. RCM is a key consideration, along with other principles including alignment with the University's Strategic Plans, academic needs, and legislative or other mandatory requirements, when prioritizing and recommending new investments and changes to resource allocations.

While the University remains committed to multi-year planning, due to the significant uncertainty identified in the fiscal environment at the time planning commenced (and in part, still remaining), multi-year planning previously introduced in the 2018/2019 budget process was suspended. Budget planning concentrated on 2019/2020 for this budget cycle with the exception of multi-year enrolment projections, which continued to be modelled based on the November 1, 2018 Fall enrolment count.

The budget process began with updating the prior year's base and RCM budgets to reflect salary escalation, inflation and other known changes in staffing and other expenses. Budget developers received their updated base and RCM budgets (where applicable), guidelines, and key planning assumptions, including multi-year enrolment projections, in December 2018. Consistent with last year, budget development packages included in-year financial performance statements by department to assist budget owners in monitoring their current year's performance and assessing potential future resource requirements. The budget packages also included a business case template to aid in the identification of proposed budget reduction strategies or recommended new strategic investments, as outlined below.

Due to the fiscal uncertainty, budget owners were requested to identify strategies required to mitigate a 5% reduction in departmental budgets. Ancillary services were also expected to make proposals to increase their contributions to the operating budget by 5%. It was strongly encouraged that these budget reductions or increased operating contributions be on-going in nature, where possible. Budget owners were asked to outline how the proposed budget reduction strategies would be achieved and describe the possible impact on the level and quality of service provided, including any potential negative impacts to students and to staff.

New strategic investment proposals needed to address student enrolment growth or in response to legislative compliance requirements or being put forward as efficiency measures were also to be identified. Budget developers were requested to indicate the rationale for the request, how such new investments would be accommodated within the departmental budget, or where this was not possible, they were asked to indicate the impact and risk associated with not proceeding with the proposed new investment initiative.

During the week of February 19, 2019, budget owners presented details of their submitted proposals for PVP's consideration. Each budget developer was required to include in their presentation: a high-level summary of their department's 2018/2019 in-year financial performance and forecast to year end, including their proposed use of any unspent budget where a surplus was anticipated or mitigating strategies if projecting a deficit; details and rationale for proposed budget reduction strategies and strategic investments, including potential impacts; strategies to work toward the RCM target for academic units; comparisons to university peer benchmarks for support and administrative areas; and proposed use of surpluses or mitigation strategies for projected deficits for ancillary services.

PVP met on multiple occasions to discuss the requested strategies and determine recommendations. For budget reduction proposals, they gave careful consideration to strategies that minimized the impact to students and did not compromise quality of programs and services. For strategic investments, particular attention was given to current needs that addressed student enrolment growth and longer-term impact on the allocation of resources as well as alignment with the University's strategic plans. The RCM model was also used as a guiding principle for decision making when prioritizing and recommending strategic investments.

Timelines

The table below sets out the timelines and consultative meetings held throughout the budget process.

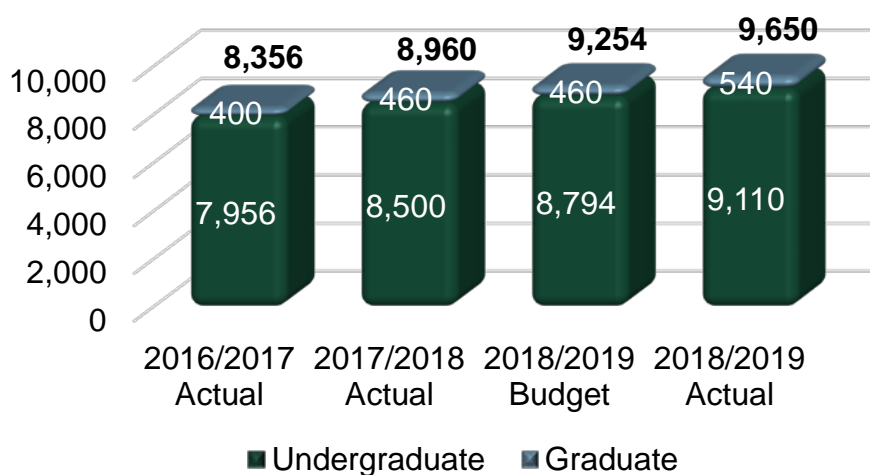
Preliminary Budget Discussions	
President / Vice-President Committee	November 12, 2018
Finance and Property Committee	November 21, 2018
Administration Planning Group	November 22, 2018
Board of Governors	November 30, 2018
Special TUFA Joint Committee	December 4, 2018
Joint Academic Planning & Budget / Provost's Planning Group	December 6, 2018
Faculty Board	February 8, 2019
Colleges and Student Services Committee	February 27, 2019
Draft Budget Update Discussions	
President / Vice-President Committee (following presentations made week of February 19, 2019)	February 27, 2019, March 4, 2019 and March 11, 2019
Finance and Property Committee	March 15, 2019
Administrative Planning Group	March 28, 2019
Joint Academic Planning & Budget / Provost's Planning Group	March 28, 2019
Board of Governors	March 29, 2019
Senate	May 7, 2019
Special TUFA Joint Committee	May 8, 2019
Budget Approvals	
Finance and Property Committee	April 25, 2019
Board of Governors	May 10, 2019

2018/2019 FINANCIAL UPDATE

Based on preliminary estimates at the time of budget approval in May 2019 and subject to year-end adjustments, Trent University was projecting an operating surplus of \$4.7 million in the 2018/2019 fiscal year compared to the Board-approved budget of \$157,000.

This improved financial forecast was largely attributable to enrolment growth. Undergraduate enrolment increased by 610 FTEs from 2017/2018, an increase of 316 FTEs more than anticipated in the operating budget. Graduate enrolment increased by 80 FTEs from 2017/2018, which was 80 FTEs more than expected in the budget. Total 2018/2019 enrolment increased to 9,650 FTEs, an increase of 4.3% over the budget, a 7.7% increase from 2017/2018, and represents 15.5% growth since 2016/2017. This enrolment growth was experienced at both campuses with Durham's growth increasing at a faster rate overall. International undergraduate enrolment has grown to 8.0% of the University's total undergraduate student population.

Full-time Equivalent Enrolment



As a result of this enrolment growth, the University was anticipating \$6.8 million in enrolment growth funding for 2018/2019, \$2.2 million more than budgeted. In addition, tuition revenue net of increased student financial aid was expected to be \$3.0 million more than planned.

Other factors that contributed to the year-end financial projections included additional employee future benefit costs of \$315,000 above the Board-approved budget related to the University's pension plans, in particular, higher than planned SRA contributions, and an increase of \$442,000 in pension benefits guarantee fund payments.

	2017/2018 Actual	2018/2019 Budget	Anticipated Variances	2018/2019 Projection*
Government grants* including growth funding	\$ 59,754	\$ 60,692	\$ 2,159	\$ 62,851
Tuition fees	\$ 69,748	\$ 72,867	\$ 3,327	\$ 76,194
Miscellaneous revenue	\$ 5,404	\$ 1,591		\$ 1,591
TOTAL REVENUE	\$134,906	\$135,150	\$ 5,486	\$140,636
Instructional staff	\$ 60,379	\$ 67,892	\$ 469	\$ 68,361
Non-instructional staff	\$ 34,565	\$ 41,448	\$ 288	\$ 41,736
Student financial aid	\$ 9,642	\$ 10,322	\$ 294	\$ 10,616
Non-staff expense	\$ 28,092	\$ 23,694		\$ 23,694
Sub-total	\$132,677	\$143,356	\$ 1,051	\$144,407
Cost recoveries		\$ (8,000)	\$ (379)	\$ (8,379)
TOTAL NET EXPENSE	\$132,677	\$135,356	\$ 672	\$136,028
NET REVENUE (EXPENSE)	\$ 2,229	\$ (206)	\$ 4,814	\$ 4,608
Change in Internally Restricted		\$ 363	\$ (275)	\$ 88
ANNUAL EXCESS REVENUE OVER EXPENSE	\$ 2,229	\$ 157	\$ 4,539	\$ 4,696

*2018/2019 Projection at time of Board approval in May 2019

As a result of the anticipated excess revenue for the fiscal year, senior administration recommended to the Board the unspent funds be used in support of important University initiatives, including capital projects, instructional resources to address enrolment growth, and endowments. These one-time strategic investments were contingent on the receipt of the expected enrolment growth funding and final financial position after year-end adjustments. Therefore, the above financial forecast does not reflect these strategic investments.

Update

The financial update prepared in May 2019 (see above) assumed \$6.8 million in enrolment growth funding. Subsequent to receiving Board approval for the 2019/2020 Operating Budget, Ministry representatives communicated to the University that they did not have approval to provide additional funding related to increases in enrolment. As a result of this communication, the University did not record growth funding in its 2018/2019 financial statements other than nominal amounts received for nursing and graduate programs.

The enrolment growth did result in additional net tuition revenue. Combined with increased miscellaneous revenue and cost recoveries, and savings on operating expenses, the University was able to make some one-time strategic investments. However, the 2018/2019 fiscal year ended with an operating deficit of \$1.5 million (before pension actuarial and fair value adjustments) as a direct result of not receiving the anticipated enrolment growth funding.

KEY BUDGET ASSUMPTIONS

Enrolment

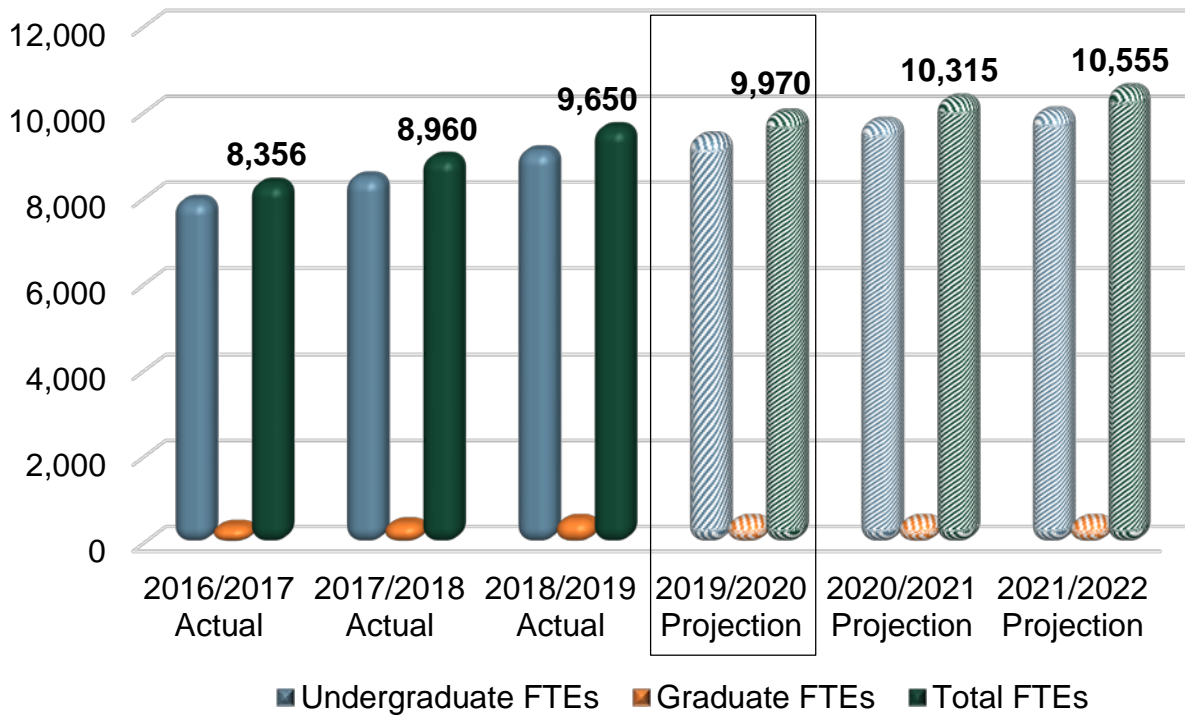
The key driver in the University's planning is student enrolment as this generates over 90% of the University's operating revenue through tuition fees and enrolment-based provincial operating grants. Resources required for academic programming are determined by the number and types of students. Other university operations and support services, as well as ancillary services, are significantly influenced by the student population.

For this budget cycle, enrolment projections are based on a conservative approach to allow the University to plan sufficient resources and address capacity challenges related to growing enrolment while ensuring the budget is flexible to respond to unmet enrolment targets should there be any. The three-year enrolment projections used this year for budget planning are based on the following assumptions:

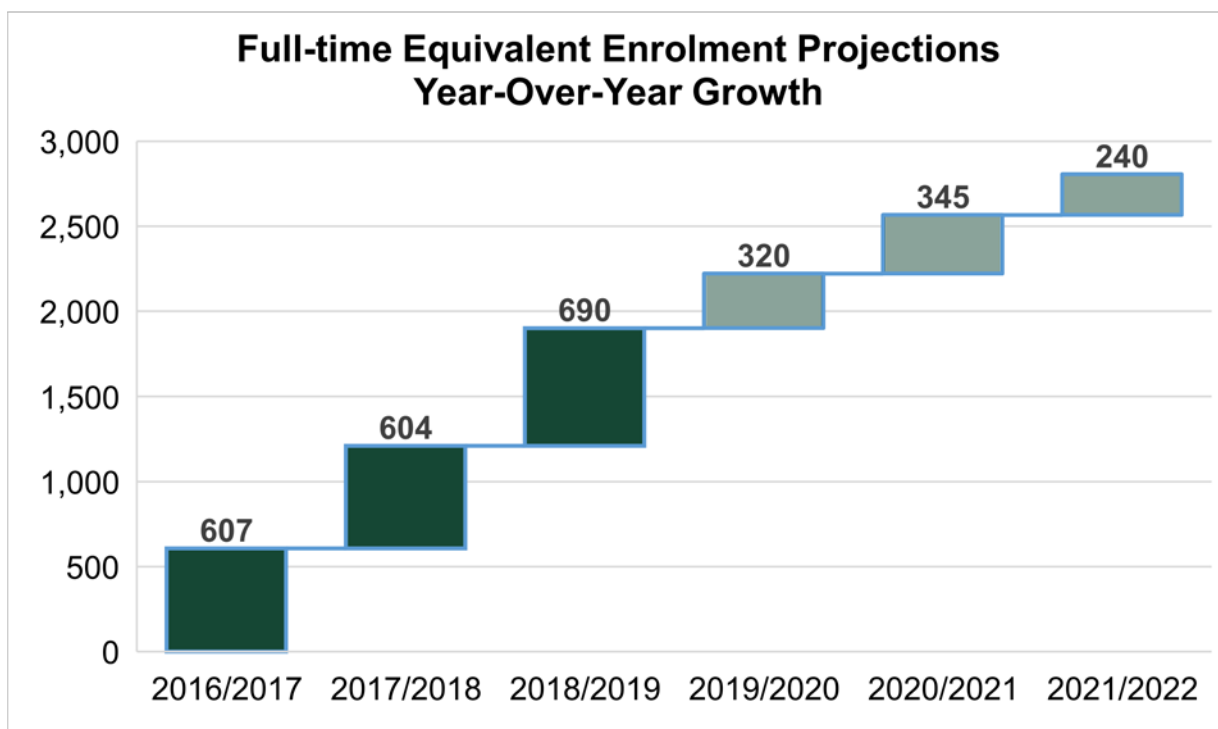
- Undergraduate domestic intake will continue to increase in a controlled manner. Trent anticipates that domestic intake at the Peterborough campus will increase relative to 2018/2019's experience by approximately 3% in 2019/2020, 1.5% in 2020/2021 and 0.75% in 2021/2022. Similarly, domestic intake at the Durham campus is expected to increase by approximately 8% in 2019/2020, 4% in 2020/2021 and 2% in 2021/2022;
- International intake will increase relative to 2018/2019 intake by 35 in 2019/2020 and 2020/2021 and by 75 in 2021/2022 as concerted efforts are made to grow international enrolment from 8% currently to 10% of Trent enrolment by Fall 2024;
- Continuation rates will be based on the average of the last four years of historical rates, conservatively adjusted; and
- Graduate enrolment will continue to be stable at capped Ministry-funded graduate spaces for Masters programs and at Fall 2018 levels for PhD programs.

Overall, Trent is projecting that total student enrolment will increase 3.3% to 9,970 FTEs in 2019/2020, an increase of 320 FTEs from 2018/2019. This represents an increase of approximately 19.3% from the 2016/2017 corridor mid-point used in the current Ministry funding model.

Full-time Equivalent Enrolment Projections Total Enrolment



Full-time Equivalent Enrolment Projections Year-Over-Year Growth



Government Grants

Provincial operating grants are based on the current funding formula model introduced in the 2017/2018 fiscal year. This model has three components:

- The Core Operating Grant uses an enrolment corridor mechanism with 2016/2017 eligible undergraduate and graduate enrolment as the base year for the mid-point and with a range of +/- 3% for all universities. The Core Operating Grant for 2019/2020 will not change if enrolment stays within the prescribed corridor.

Funding for enrolment in excess of the corridor midpoint, if any is available, is managed separately from the Core Operating Grant for universities that negotiated growth funding through their Strategic Mandate Agreement (SMA). Growth funding was provided on a one-time basis in the 2017/2018 fiscal year.

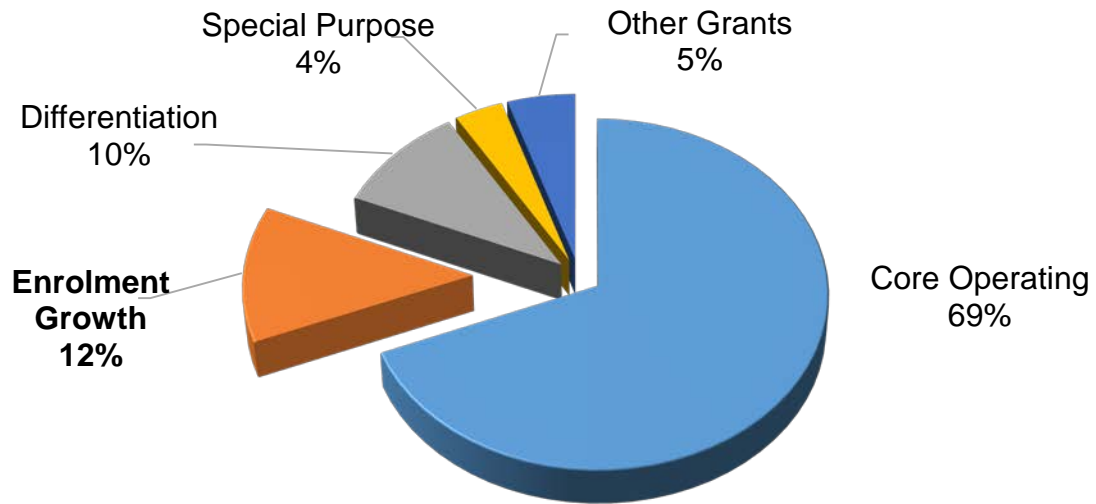
- Differentiation Grants will be linked with key performance metrics. These metrics were developed over SMA2 (2017 to 2020) and are currently being revised to take effect with SMA3 (2020 to 2025).
- Special Purpose Grants are separate grants aligned with Ministry priorities and are subject to the specific accountabilities and processes. These grants are not dependent on enrolment.

For 2019/2020 budget planning, government grant revenue is based on the following assumptions:

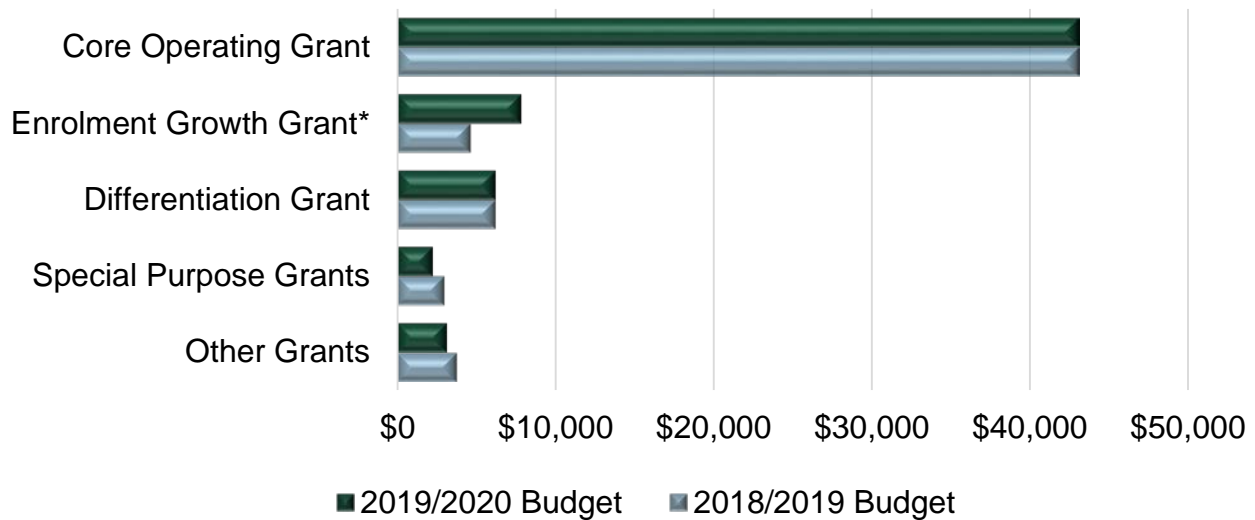
- Core operating grant and differentiation funding will remain at 2016/2017 levels;
- As stated in the fiscal environment, growth funding for 2018/2019 and 2019/2020 remains uncertain at this time. Based on the increase of eligible enrolment since 2016/2017, the University estimates enrolment growth funding of approximately \$7.8 million for 2019/2020; **this amount has been included in budgeted revenue;**
- Special purpose grants have been adjusted based on known changes at the time of planning. This includes the loss of the Graduate Enrolment Capital Expansion Program funding which is no longer supported by the Ministry per the April 12, 2019 announcement. In addition, the two-year agreement for Career Ready Funding ended April 30, 2019 so this funding has been eliminated from the 2019/2020 grant revenue assumptions; and

- Other grants assumed in the 2019/2020 budget include: the Collaborative Nursing grant with Fleming College; the Research Support grant; and the Durham Service Teaching revenue, which has been prorated this year as UOIT is ending this agreement at the end of August 2019 as part of their budget reduction strategies.

2019/2020 Budgeted Government Grants



2019/2020 Budgeted Government Grants Compared to 2018/2019 Budget (in millions)



*Subject to Ministry confirmation; no growth funding received in 2018/2019

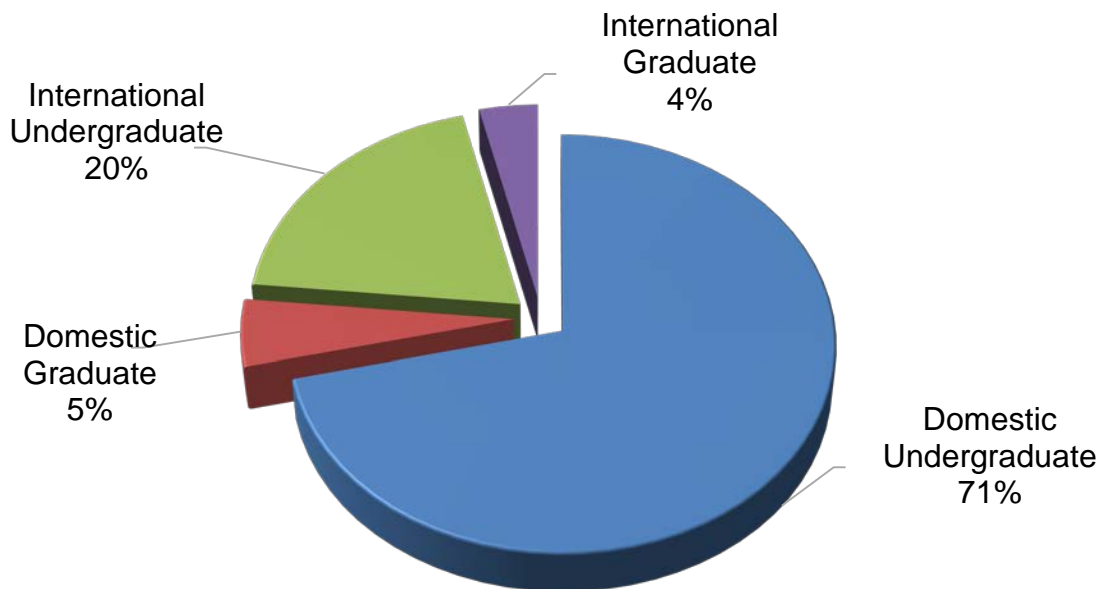
Tuition Fees

The tuition fee policy is governed and monitored by the provincial government. The Ministry's tuition fee policy for 2019/2020 stipulates that tuition fees for all publicly funded programs for each year of study for funding-eligible (primarily domestic) undergraduate and graduate students be reduced by 10% compared to 2018/2019 fees. Furthermore, during 2020/2021, institutions are required to freeze eligible tuition fees at 2019/2020 tuition rates.

In compliance with this policy, Trent has reduced its domestic tuition rates by 10% for the 2019/2020 academic year, a loss of approximately \$8.2 million from the previously anticipated tuition fees revenue for the fiscal year. The increase in enrolment will partly offset this estimated revenue loss.

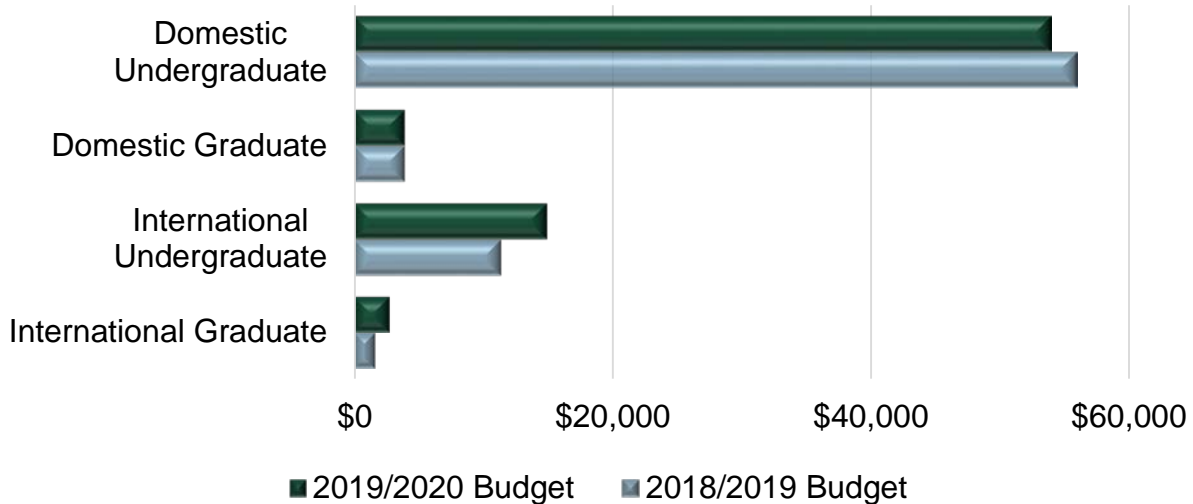
International fees are not regulated by the province. Trent currently has the fourth lowest international tuition fees of 19 Ontario universities¹. In an effort to grow international enrolment and remain competitive, Trent has approved an increase of 3% for continuing students and an increase of 5% for new undergraduate students entering in 2019/2020.

2019/2020 Budgeted Tuition Fees Revenue



¹ Source: 2018 CUPA Tuition Fee Survey; using 2018-2019 international undergraduate tuition rates for the Arts & Science, Social Science category

2019/2020 Budgeted Tuition Fees Revenue Compared to 2018/2019 Budget (in millions)



Student Financial Aid and Scholarships

Student aid and scholarship expense is a highly variable cost dependent primarily on student enrolment and the academic qualifications (entrance grades) of the student body.

The University has historically provided a high level of student aid relative to comparator universities, consistently standing at or near the top of university rankings in the percentage of its operating budget expended on scholarships and bursaries. Trent was #1 in Canada for scholarships and bursaries in 2018.²

The Ministry requires universities to reserve a portion of additional revenue resulting from tuition fee increases to eligible domestic students to ensure that institutions can meet Student Access Guarantee requirements for need-based student aid, and provide other forms of assistance to students in need. For the purposes of budget planning, tuition set-aside is estimated at 6.0% of tuition fee revenue for eligible domestic undergraduate and graduate students.

Based on the past three years, undergraduate scholarship costs have increased from 8.6% to 11.0% of gross undergraduate tuition fees revenue for eligible (essentially domestic) students. As a result, the University is planning for undergraduate scholarship expense to be approximately 11.0% of gross undergraduate tuition fees revenue.

² Maclean's University Rankings 2018 – Primarily Undergraduate category

Graduate scholarship expense varies significantly, depending on the program. Based on the average of the most recent three years, graduate student aid is budgeted at 24.8% of tuition for non-professional programs and international student differential fee waivers is budgeted at 29.9% of international student tuition for non-professional programs.

The budget planning estimates for domestic scholarship expense were made before the Ministry announcement to reduce regulated tuition fees for 2019/2020. The University did not have appropriate time to react to the late announcement in January 2019 as the promotion of Trent's scholarship program for the fiscal year began in the Fall 2018. Therefore, the initial estimates for this expense were not adjusted (an impact of approximately \$900,000) for this fiscal year. It is anticipated that domestic scholarships will be reduced to correspond to the related tuition fees revenue in future years.

Over the past three years, international scholarship costs have decreased from 7.0% to 6.37% of gross international tuition fees revenue. Therefore, for the purposes of budgeting, the University anticipates international scholarship expense will be approximately 6.37% of gross international tuition fees revenue.

Salaries and Benefits

Salary rate increases for all groups are based on the collective agreements, as well as progression through the salary grids. Salary rate increases range from 1.5% to 4.75%, with the average increase of 3.7%. At the time of planning, the collective agreements for TUFAs, representing full-time faculty and professional librarians, and CUPE1, representing part-time employees engaged in teaching, demonstrating, tutoring, or marking in the academic programs (except registered students) were set to expire on June 30, 2019 and August 31, 2019 respectively. As negotiations were pending, the budget assumed salary rate increases for both employee groups based on the average of known negotiated settlements of comparator groups.

Benefit rates, including health, dental, and long-term disability benefits, are expected to increase from 5% to 20% depending on the type of benefit in accordance with estimates provided by the University's benefits consultant.

Pension Costs

The TUFAs Pension Plan is a registered pension plan for which an actuarial valuation is prepared annually with required filing every three years. Based on the most recent actuarial valuation at June 30, 2018 (a non-filing year), the University's normal cost is expected to increase to 11.67% (from 11.56%) of payroll. Going concern and solvency special payments remain unchanged at \$4.586 million and \$1.339 million, respectively.

Trent continues to pursue the opportunity to join a new sector-level Jointly sponsored Pension Plan (JSPP) to eliminate the solvency special payments; it is hoped that this can be accomplished by January 1, 2022.

The OPSEU/Exempt Pension Plan is a registered pension plan for which an actuarial valuation is prepared annually with required filing every three years. Based on the most recent actuarial valuation at July 1, 2018 (a non-filing year), the University's normal cost is expected to increase to 10.65% (from 10.61%) of payroll. Going concern and solvency special payments remain unchanged at \$1.799 million and \$1.567 million, respectively.

For the Supplementary Retirement Agreement, estimated benefit payments of \$1.7 million will be required from Trent as the plan assets were depleted in November 2018.

Other Non-Salary Expenses

The 2019/2020 Operating Budget projects utilities expense will remain within existing budgeted levels. Current estimates from the University's provider indicate electricity rates are expected to decrease; any savings will be offset by increases in consumption as both the Student Centre and the Bata Library will be in operation for a full twelve months in 2019/2020. At the time of planning, the federal carbon levy and legislation regulating the price of carbon effective April 2019 was likely to increase natural gas costs, but Trent anticipates funding will be available to mitigate this impact. As work continues on initiatives under the Energy Performance Contract (scheduled for completion in Spring 2019), energy consumption is expected to decrease. Savings related the agreement will be used towards financing the project over the next 10 years and will not lead to operating savings in 2019/2020.

In February 2017, Trent University refinanced its existing amortizing loans with non-amortizing debentures in order to provide the University with access to additional capital, to improve the overall flexibility in the operating budget, and to reduce the effective cost of capital. The Board of Governors established an internally-administered sinking fund with annual contributions to ensure sufficient funds are available from which to repay 100% of the principal of the debentures at maturity, February 17, 2057. The Operating Plan assumes that the total interest payments and contributions to the sinking fund are the same as the interest and principal payments before the debt refinancing was completed. The only net impact on operating is the new debt interest payments related to the Library Transformation Project commencing in 2019/2020.

The budget assumes an annual inflation rate of 2% on relevant non-salary expenses. Other base budget adjustments were made to reflect current experience or known changes.

BUDGET STRATEGIES FOR 2019/2020

The preliminary 2019/2020 Operating Budget before budget reduction strategies or strategic investments projected a shortfall of \$4.3 million. The anticipated shortfall despite estimated enrolment growth funding was primarily due to the loss of tuition fees revenue related to the Ministry-mandated tuition fee reduction.

Budget Reduction Strategies

To mitigate the projected shortfall, budget developers were requested to reduce their departmental operating budgets by 5% by increasing revenue or cost recoveries, or finding cost reductions and efficiencies. Ancillary services were also asked to contribute 5% more to the Operating Budget.

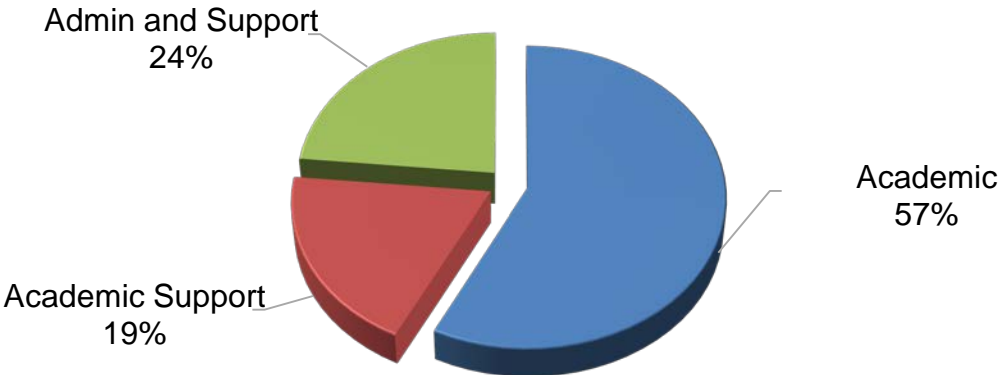
Budget owners proposed budget reduction strategies to meet the 5% target, while minimizing the potential impact to students and not compromising the quality of programs and services. Academic areas reviewed limited-term appointments and course offerings, in particular those offered in the summer, and proposed changes based on expected enrolment to better utilize faculty and teaching positions. Current vacancies in non-faculty positions were reviewed and reduced or eliminated, where appropriate. Non-academic departments reviewed staffing complements and proposed minor restructuring to gain efficiencies. All known retirements or staff turnovers were carefully considered and the budget reduced as a result of anticipated re-banding or hiring at lower rates. All departments reviewed their non-staffing budgets to find efficiencies or to increase their revenue and/or cost recoveries, especially related to anticipated student enrolment increases.

Some of the budget reduction strategies require the use of unspent departmental funds from 2018/2019 to compensate for changes that can only take effect mid-year in the 2019/2020 fiscal year. In addition, a one-time strategic investment of \$850,000 in instructional resources from 2018/2019 unspent funds was made by the University to partially mitigate the impact of budget reductions in 2019/2020. This investment should help to alleviate additional pressures resulting from increased student enrolment.

A summary of the accepted budget reduction strategies of \$5.450 million is provided in the table below.

2019/2020 Budget Reduction Strategy (in thousands)	Total Reduction
Reduce limited-term appointment faculty complement by not renewing some contracts ~ 13.5 FTEs	\$1,645
Reduce CUPE faculty course stipends related to both summer and fall/winter courses	\$1,579
Eliminate or reduce vacant non-faculty positions ~ 7.4 FTEs	\$ 717
Restructure staffing complements	\$ 35
Reduce salary rates due to retirements or turnover in staff through re-banding or replacing at lower rates	\$ 83
Reduce expenditures for supplies, contracted services and discretionary costs	\$ 778
Increase cost recoveries, primarily related to increased enrolment	\$ 405
Increase ancillary services contribution to the operating budget	\$ 295
Net adjustments as a result of budget reduction strategies	\$ (87)
Total Budget Reduction Strategies	\$5,450

2019/2020 Budgeted Reduction Strategies



Strategic Investments

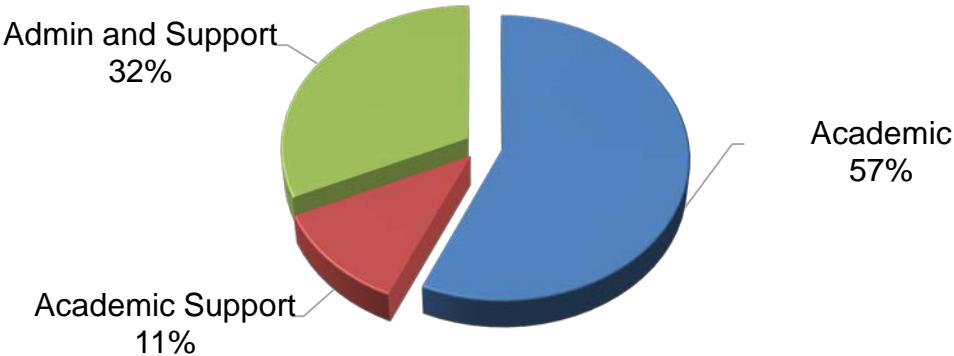
After factoring in the above budget reduction strategies, the University is anticipating a small surplus (assuming enrolment growth funding is confirmed), providing the University with an opportunity to make new strategic investments in response to increasing student enrolment. All presentations and proposals were carefully reviewed by the President and Vice-Presidents taking into consideration several overall principles, including fit with the University's strategic plans. The Responsibility Centered Management model was also used as a guiding principle for decision making when prioritizing and recommending new strategic investments.

The new investments focus on increases in resources required to teach and support increased student enrolment and the development of new academic programs. Tuition revenue (net of increased student financial aid) from new or expanding programs in Sciences, Education and Durham is conservatively assumed to be sufficient to offset associated new costs in the initial year of the program; it is expected that new programs will be revenue generating once established. Support for growing graduate studies and Durham is primarily one-time in nature. Library acquisitions continue to benchmark low relative to the University's comparators indicating a need for a further base investment in that area. An on-going investment to enhance student supports will help respond to the increasing needs of the students to achieve academic success. Information technology continues to evolve with this year's investments in enhanced security of information and an event management system, mobile applications for improved student access, and a document imaging and workflow management system. The remaining investments will help address deferred maintenance and risk management.

A summary of the accepted net new strategic investments of \$735,000 is provided in the table below. Over 68% of the new investments (before offsetting net tuition revenue) are resources directly for academic or for academic support.

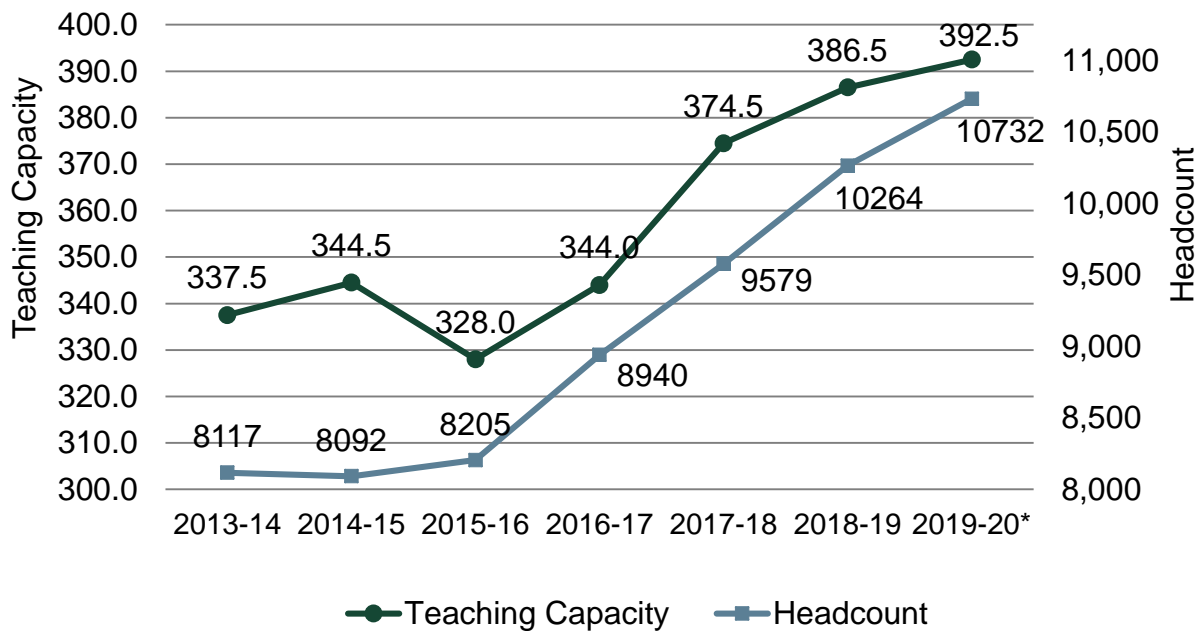
2019/2020 Strategic Investment (in thousands)	On-going Investment	One-time Investment	Total Investment
Support for new or expanding programs Offset by related net tuition revenue	\$962 (\$962)		\$962 (\$962)
Support for enhanced marketing for Graduate Studies and Durham-GTA		\$ 25	\$ 25
Support for Graduate Studies for placement coordinator and program administrative support	\$ 10	\$ 38	\$ 48
Increase in library acquisitions	\$ 75		\$ 75
Academic skills and advising, and sexual violence prevention and peer support	\$ 42		\$ 42
Information technology re: security and event management, mobile application and document imaging/workflow	\$123	\$234	\$357
Support for deferred maintenance, Secretariat, and Risk Management	\$188		\$188
Total Net New Strategic Investments	\$438	\$297	\$735

2019/2020 New Strategic Investments



In addition to the net new investments, an additional nine tenure track faculty will be funded from within the existing budgets of the academic units based on known or planned retirements and resignations. It is important to note that these appointments will be strategically placed where there is the most need, which may not necessarily be an exact replacement of the retirement or resignation. With these strategic investments, it is anticipated that teaching capacity will remain at acceptable levels relative to increasing student enrolment.

Growth in Teaching Capacity and Student Enrolment



* 2019/2020 projected based on proposed budget adjustments

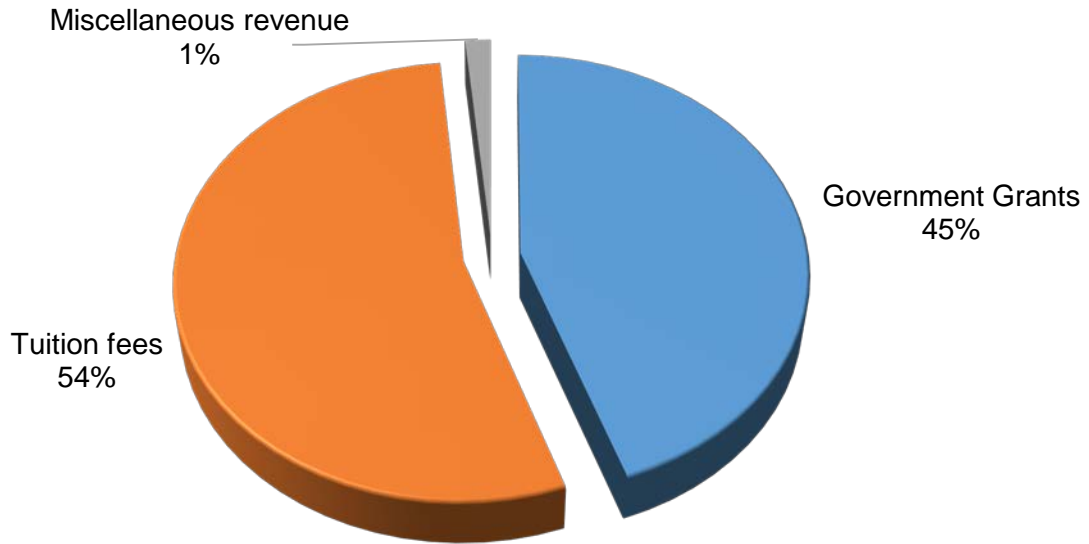
2019/2020 OPERATING BUDGET

As a result of the approved budget reduction strategies and the net new strategic investments, the 2019/2020 Operating Budget projects a modest annual surplus of \$435,000. **This projection assumes growth in student enrolment will be funded.** This operating plan was approved by the Board of Governors on May 10, 2019.

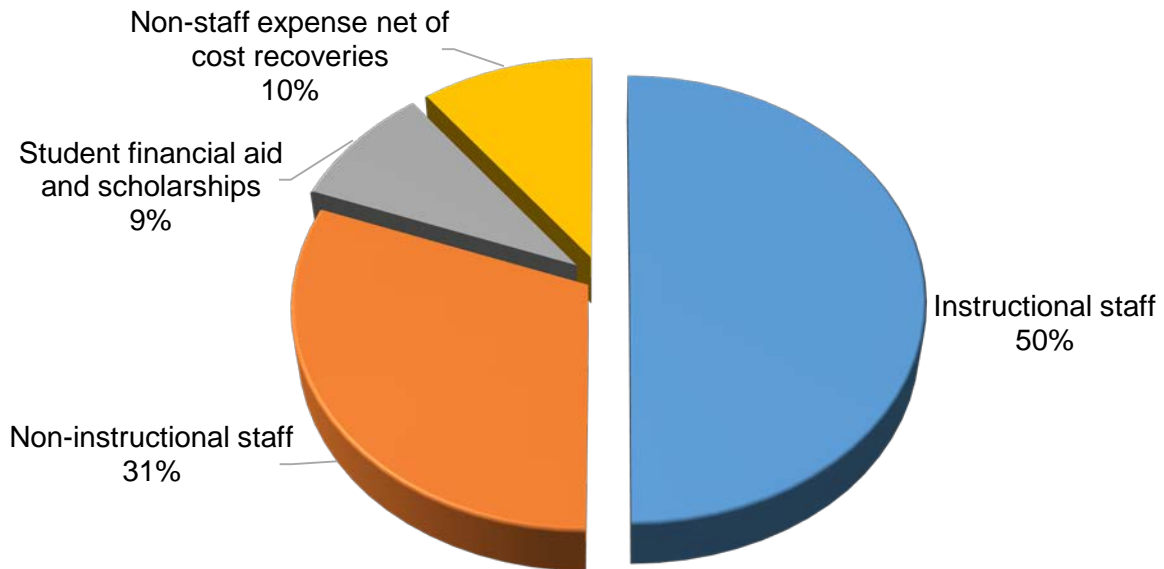
	2018/2019 Projection*	2019/2020 Budget	Change	
Government grants	\$ 62,851	\$ 62,592	\$ (259)	-0.4%
Tuition fees	\$ 76,194	\$ 75,490	\$ (704)	-0.9%
Miscellaneous revenue	\$ 1,591	\$ 2,192	\$ 601	37.8%
TOTAL REVENUE	\$140,636	\$140,274	\$ (362)	-0.3%
Instructional staff	\$ 68,361	\$ 70,053	\$ 1,692	2.5%
Non-instructional staff	\$ 41,736	\$ 42,798	\$ 1,062	2.5%
Student financial aid	\$ 10,616	\$ 12,493	\$ 1,877	17.7%
Non-staff expense	\$ 23,694	\$ 23,743	\$ 49	0.2%
Sub-total	\$144,407	\$149,087	\$ 4,680	3.2%
Cost recoveries	\$ (8,379)	\$ (9,194)	\$ (815)	9.7%
TOTAL NET EXPENSE	\$136,028	\$139,893	\$ 3,865	2.8%
NET REVENUE	\$ 4,608	\$ 381	\$ (4,227)	
Change in Internally Restricted	\$ 88	\$ 54	\$ (34)	
ANNUAL EXCESS REVENUE OVER EXPENSE	\$ 4,696	\$ 435	\$ (4,261)	

*2018/2019 Projection at time of Board approval in May 2019

Breakdown of 2019/2020 Operating Revenue



Breakdown of 2019/2020 Operating Expenses



2019/2020 ANCILLARY BUDGET

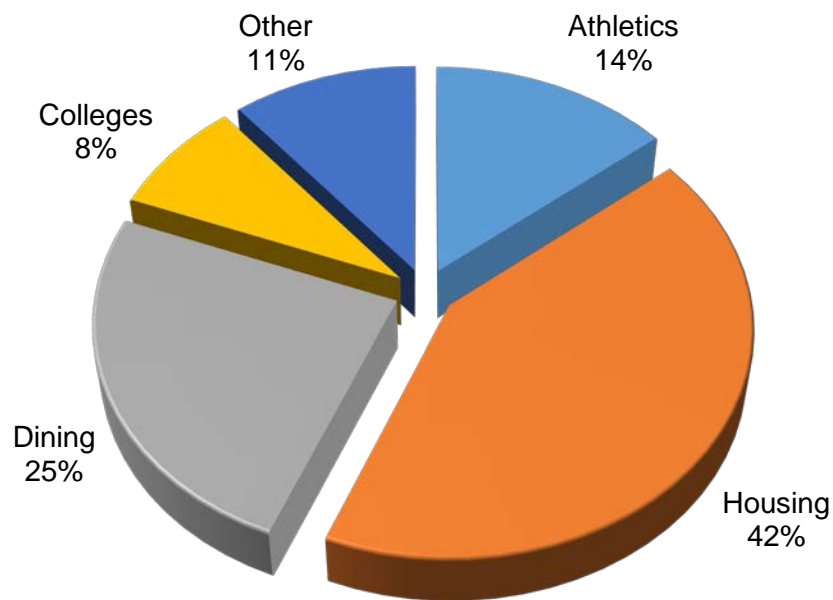
Ancillary departments also prepared budgets following the same budget planning principles set out for operating budget developers. In accordance with the Board-approved ancillary fees protocol, the inflationary increase in ancillary fees is 2.4% for 2019/2020. The rate is subject to annual review and revision, as necessary.

Ancillary Operations Funded Primarily from Student Fees

The departmental surpluses, if any, of ancillary operations funded primarily from student fees, including Athletics, Housing, Dining, Colleges, Student Health, Parking, Orientation, Campus Card and Durham Transit Pass, are set aside at year end to fund future projects or initiatives of the respective departments to provide direct benefit to students.

These ancillary services are typically charged an administration overhead fee of 6.62% to help offset the cost of administrative support provided from Operations. This year, all ancillary services were asked to contribute an additional 5% to the operating budget as part of the budget reduction strategies.

**2019/2020 Revenue from Ancillary Operations
Funded Primarily from Student Fees**



Ancillary Operations Contributing to the Operating Fund

The annual surplus of several ancillary operations, including the Campus Store, Print Shop, English as a Second Language (ESL), Conferences/Catering, and Starbucks, is transferred to the Operating fund each year end.

This year, all ancillary services were asked to contribute an additional 5% to the operating budget as part of the budget reduction strategies. As a result, the projected contribution to the Operating Fund for these ancillary operations increased to \$363,000 in 2019/2020.

	2018/2019 Budget			2019/2020 Budget		
	Revenue	Expense	Net	Revenue	Expense	Net
Athletics	\$ 4,126	\$ 4,191	\$ (65)	\$ 4,293	\$ 4,271	\$ 22
Housing	\$12,090	\$12,090	\$ 0	\$12,773	\$12,773	\$ 0
Dining	\$ 7,259	\$ 7,259	\$ 0	\$ 7,497	\$ 7,497	\$ 0
Colleges	\$ 2,250	\$ 2,250	\$ 0	\$ 2,481	\$ 2,481	\$ 0
Other	\$ 2,859	\$ 2,859	\$ 0	\$ 3,321	\$ 3,321	\$ 0
Total Ancillary Operations Funded Primarily by Student Fees	\$28,584	\$28,649	\$ (65)	\$30,365	\$30,343	\$ 22
Ancillary Operations Contributing to Operating Fund Campus Store, Print Shop, ESL, Conferences and Catering, Starbucks			\$ 275			\$ 363
TOTAL CONTRIBUTION TO OPERATING BUDGET			\$ 210			\$ 385

CAPITAL PLANNING

Trent University has several capital projects currently underway or in development. The following provides highlights of the major projects.

Deferred Maintenance

The University receives funding under the Facilities Renewal Program to address deferred maintenance. During 2016/2017 and 2017/2018, this grant was mostly diverted to the Bata Library Transformation project, which addressed over \$5 million in deferred maintenance. In 2018/2019, the University received \$747,300 to be spent on Ministry-approved deferred maintenance and campus safety projects by September 30, 2019.

Based on its communication on April 12, 2019, the Ministry is reducing the 2019/2020 Facilities Renewal Program funding by 11% and is reviewing the allocation mechanism. As a result, the University is anticipating a decrease in this funding, and will be reviewing its capital assets and reassessing deferred maintenance needs accordingly. In the interim, a significant portion of identified deferred maintenance will be addressed through the Energy Performance Contract and the Peterborough Housing Strategy described below.

Energy Performance Contract

The Energy Performance Contract currently underway includes a variety of initiatives designed to improve energy performance and savings across the University campus, as well as addressing over \$5.0 million in deferred maintenance. The total estimated cost of the contract is \$15.5 million. Energy savings will be used to finance the project over the next ten years. Substantial completion is now expected by September, 2019.

Durham Campus Expansion Project

With much of Trent's student enrolment growth expected in Trent Durham – GTA, one of the Board of Governor's strategic objectives is to enhance the facilities for students at the Trent Durham campus. Phase I of the expansion involves construction of a new multi-storey building located on land gifted to Trent University by the City of Oshawa. The new building will have capacity for 200 student residence beds, as well as academic space including classroom space, faculty and research offices, and student space.

In June 2019, the University entered into a lease arrangement with a third party to construct, finance and operate the new building. Substantial completion and occupancy

is expected by September 2020. The third party will be responsible for the construction and operating costs of the residence space within the new building. The University will be responsible for the construction and operating costs of the academic space within the new building. Trent's one-time investment for the new academic space is estimated at \$11.2 million.

In addition to the new building, the main building will be renovated to include improved food services to service students in residence as well as other students, faculty, staff and public. The University estimates its one-time investment in these renovations will be approximately \$2.15 million to \$2.5 million. Substantial completion is also planned for Fall 2020.

Peterborough Housing Strategy

Housing Services is developing a Peterborough Housing Strategy to further align the housing program to the University's strategic objectives, meet growing demand based on current enrolment projections, and enhance the student experience by bringing more students onto the core campus at its Peterborough locations. A recent market and demand analysis indicates the need for approximately 700 new residence beds at the Symons campus and Traill college, as well as significant renovations to the existing residences to address deferred maintenance, and suggests a sequenced strategy over a period of 10 years.

The University is currently in the process of developing a facilities development plan, including a functional program for the recommended new residence beds and associated academic and student space that reflects the University's identity as a collegiate university. In addition, the University is developing a financial strategy that will best meet the University's financing goals based on the examination of all possible financing arrangements for the Housing Strategy. It is anticipated that the University's contribution towards this significant capital refresh will come from ancillary operating and reserve funds.

Other Capital Projects

As a result of recommendations received around improving the University's handling of hazardous materials in all areas of operations, the main shipping and receiving centre is being relocated to the Science Complex on the East Bank. This project includes the creation a new loading dock and storage area, as well as a new section of interior roadway to allow safe and efficient entry and exit of delivery trucks. The estimated cost of this project is \$662,000 financed by appropriations and parking reserves. The construction is scheduled for completion in August 2019.

The Forensics Program, within the Faculty of Science, incorporates experiential learning into its instruction through staged mock crime scenes at Trent's Crime Scene House. In June 2019, the Board of Governors approved the construction of a new facility on the East Bank closer to the Science Complex to replace the current farmhouse which is in need of significant remediation. The new Forensics Training Facility will be built using an innovative, sustainable construction technology in alignment with the University's commitment to sustainable development. The estimated cost of the project is up to \$1.2 million, which will be funded by appropriations and identified donations. Construction is expected to get underway in 2019/2020.

The University has set aside 85 acres of land for the development of Cleantech Commons at Trent University, a research and innovation park at the north-east edge of the University's Symons campus which represents a major collaboration between the University and the City of Peterborough. The vision for Cleantech Commons is to become Canada's premier green technology research and innovation site, hosting a cluster of companies and start-up enterprises in environmentally-focused fields including clean technology, environmental services, advanced material sciences, biotechnology, agri-good, and agri-business, to name a few. The goal for Cleantech Commons is to provide experiential learning and employment for students, forge new research partnerships, create a revenue stream for the University, and bring economic development to the region. Its most important contributions may come as a result of the advancements in environmentally beneficial technologies and innovations from the firms located at the Park.